

VZCZCXYZ0004  
PP RUEHWEB

DE RUEHLGB #0708/01 2811215  
ZNR UUUUU ZZH  
P 071215Z OCT 08  
FM AMEMBASSY KIGALI  
TO RUEHC/SECSTATE WASHDC PRIORITY 5663  
INFO RUEHDS/AMEMBASSY ADDIS ABABA 0201  
RUEHBS/AMEMBASSY BRUSSELS 0311  
RUEHJB/AMEMBASSY BUJUMBURA 0410  
RUEHDR/AMEMBASSY DAR ES SALAAM 1222  
RUEHKM/AMEMBASSY KAMPALA 1993  
RUEHKI/AMEMBASSY KINSHASA 0548  
RUEHLO/AMEMBASSY LONDON 0324  
RUEHNR/AMEMBASSY NAIROBI 1325  
RUEHFR/AMEMBASSY PARIS 0582

UNCLAS KIGALI 000708

SENSITIVE  
SIPDIS

PASS TO AF/EPS ABREITER, GMALLORY

E.O. 12958: N/A  
TAGS: [ECON](#) [EINV](#) [ETRD](#) [PGOV](#) [RW](#)  
SUBJECT: AGOA COUNTRY ELIGIBILITY REVIEW - RWANDA

REF: STATE 79630

¶1. (U) This cable responds to queries in reftel.

#### Country Background Summary

-----

2.(U) With 85 percent of its population engaged in subsistence agriculture, Rwanda's economic priorities include poverty alleviation, encouraging private investment and infrastructure development. Small handicraft businesses are exporting to the U.S., but on the whole, Rwanda still has significant steps to take before it can be considered as a success story. A land-locked post-conflict nation still recovering from the 1994 genocide, Rwanda joined the Common Market for Eastern and Southern Africa (COMESA) in 2004 and joined the East African Community (EAC) in 2007. President Kagame currently chairs the EAC. Rwanda has a strong labor code, but enforcement remains weak. There continue to be human rights concerns in Rwanda. Since August 2004, Rwanda has deployed troops to Darfur under the auspices of the African Union-led protection force and the United Nations.

#### 3.(U) Market-based Economy/Elimination of Barriers to Trade

-----

##### ¶A. Major Strengths Identified:

- U.S.-Rwanda relations are strong. The U.S. has been the largest bilateral donor to Rwanda since 2005, and has designated Rwanda as one of 15 focus countries to receive targeted assistance under the President's Emergency Plan for AIDS Relief (PEPFAR). Rwanda received USD 17 million in 2007 to fight malaria under the President's Malaria Initiative (PMI). In 2008, the Millennium Challenge Corporation (MCC) approved a \$24.7 million MCC Country Threshold Plan (TCP) for Rwanda.

- The International Monetary Fund (IMF) estimated Rwanda's GDP growth rate for 2007 at 6 percent, and inflation at 9.1 percent. In 2008, the IMF projects that GDP will grow to 8 percent and inflation will rise to 15 percent (however the most recent inflation numbers reported by the Rwandan Central Bank of 18.3 percent in July and 20 percent in August suggest inflation will be higher than the 15 percent projected by the IMF for the year).

- The Rwandan currency and exchange rate have remained stable for the past few years. By the end of 2006, most bilateral donors and multilateral institutions had forgiven Rwanda's debt. However, these debt forgiveness initiatives limit Rwanda's ability to take on future debt such as loans for major infrastructure projects.
- Through the Rwanda Investment and Export Promotion Agency (RIEPA) and the Private Sector Federation (PSF), Rwanda has been proactive in encouraging foreign investment by producing comprehensive information materials, holding trade fairs at home and abroad, and establishing investment promotion offices in Rwanda to encourage and assist investors.
- A law on the use and management of land was enacted in September 2005. A new investment code and related customs law incorporating investment and customs tax incentives were enacted in June 2006.
- Rwanda joined the Common Market for Eastern and Southern Africa (COMESA) in 2004, the East African Community (EAC) in 2007 and has applied for membership in the British Commonwealth. One of the end goals in joining these organizations is to diversify Rwanda's economy and promote export-oriented jobs through foreign direct investment.
- Rwanda has value-added taxes (VAT--18 percent) and some tariffs on imported goods. These sources of revenue are an important part of the GOR's overall budget, although Rwanda must eventually reduce customs tariffs to standardize with the East African Community. Foreign investment is encouraged. RIEPA set up a "one-stop center" for both foreign and Rwandan investors in 2000 and it became fully operational in 2004, although it has yet to record many success stories.
- The Rwandan Private Sector Federation is an influential organization funded in part by the government that advocates on behalf of the private sector.
- Small-scale cloth, textile, and basketry handicraft businesses are starting to export their products to the U.S. under AGOA.
- The Embassy, USAID, and its USAID-East and Central Africa (ECA) Global Competitive Trade Hub partners are working diligently to assist Rwanda in expanding its AGOA opportunities.

#### 1B. Major Issues/Problems Identified:

- Rwanda's economy remains fragile and is heavily dependent on foreign aid (approximately 50 percent of the government's budget, according to the IMF).
- Macro-economically, Rwanda's current account has been worsening in recent years due to low exports and increasing imports. The IMF projects the current account deficit will grow to 20 percent of GDP in 2008 from 15 percent in 2005.
- Local and foreign businesses have difficulty in accessing credit.
- Costs of production, primarily due to geographic location, a small local market, poor infrastructure and high energy costs, make doing business in Rwanda very challenging.
- There is a widely held perception that the government and the predominant political party, the Rwanda Patriotic Front (RPF), either dominate or have significant influence throughout the private sector.

#### 14. (U) Political Reforms/Rule of Law/Corruption

-----

#### A. Major Strengths Identified:

- In September 2008, national elections were held for the Chamber of Deputies with the RPF winning an overwhelming majority in a peaceful and orderly election.
- The GOR senior leadership maintains a consistent policy of combating corruption.
- According to Transparency International's 2007 annual survey of business leaders, citizens, and experts, Rwanda's ranking improved by 10 places from 121 to 111 out of 178.
- The Parliament takes an active role in investigating public officials accused of corruption and, in concert with the Ombudsman's Office established in 2003, has exposed corrupt public officials.
- The Government adopted a code of conduct and rules of disclosure for public officials.
- In 2008, the government implemented a new commercial court system to address the backlog of commercial disputes.
- The GOR implemented significant judicial reforms over the last several years aimed at addressing a large backlog of cases, increasing the independence of judges, and increasing training across the judicial sector.
- The GOR has plans to increase the numbers of lawyers throughout the country (currently only 305, based mostly in the capital) to improve access to legal services and to establish circuit courts throughout the country, especially in the rural areas, to reduce the backlog of pending civil cases (approximately 39,000 in 2007).

#### B. Major Issues/Problems Identified:

- Citizens' right to peacefully change their government remains effectively restricted. In 2007 the government passed legislation allowing political parties to organize down to the lowest administrative level. Parties took advantage of this change in preparation for the 2008 Chamber of Deputies elections albeit with little impact on the political landscape -- the RPF won 79 percent of the vote in these elections. The 2008 Chamber of Deputies elections were peaceful and orderly but National Electoral Commission (NEC) rulings during the twenty-one day electoral campaign period restricted the ability of opposition parties to effectively spread their message. The national ballot tally lacked transparency with some election observers prevented by NEC and other government officials from monitoring the ballot counting above the polling station and polling center level.
- While the judiciary suffers from inefficiency and a lack of resources, the government is making substantial efforts to improve the legal sector which collapsed during the war and genocide of 1996.
- Prolonged pretrial detention remains a problem, although the incidence has significantly declined. There are insufficient numbers of lawyers to provide defense counsel in what are otherwise fair public trials. Constraints on the judiciary's independence have lessened in recent years.
- The 2007 Department of State's Human Rights Report cited arbitrary arrest and detention by the National Police as problems.
- Gacaca courts serve as the government's primary judicial process for addressing the huge numbers of genocide cases. The great majority of cases had been adjudicated by the end of 2007. Most observers agree that the gacaca courts are providing a much-needed measure of justice for the country. There remain concerns, however, that there are limited due

process protections and that some persons have used the gacaca system to settle scores.

- Prison and detention center conditions are harsh. Over-crowding lessened considerably by the end of 2007, however, as the government released many persons to serve the initial portion of their sentences at home. There are now approximately 59,000 persons in Rwanda, s 14 prisons.

#### 15. (U) Poverty Reduction -----

##### 1A. Major Strengths Identified:

- The GOR enacted a Poverty Reduction Strategy Program in 2000. A final version of its current Economic Development and Poverty Reduction Strategy (EDPRS) was completed in 2008.

- A framework law on the use and management of land was enacted in September 2005, but some key implementing laws remain pending in parliament.

- The Government established the Fund for Assistance to Genocide Survivors to help with education and health care costs.

##### 1B. Major Issues/Problems Identified:

- Poverty remains a major problem in Rwanda, with nearly 56.9 percent of the population living under the poverty level, which is set at RFR 250/day - about \$0.45.

- More than 85 percent of the population is involved in subsistence farming and annual per capita income is approximately \$350 according to recent IMF estimates.

- Only 64 percent of the population has access to potable Q- Only 64 percent of the population has access to potable drinking water.

- Obstacles in the fight against poverty include poor energy production and distribution, limited access to capital, and a government and workforce with limited administrative and managerial capacity.

- Agriculture in Rwanda, largely subsistence farming, remains vulnerable to weather, market fluctuations, and a rapidly expanding population. The average plot size is approximately a half hectare.

#### 16. (U) Workers' Rights/Child Labor/Human Rights -----

##### 1A. Major Strengths Identified:

- Rwanda has signed all International Labor Organization (ILO) conventions relating to workers rights and has a strong labor code.

- The law provides for the right to create professional associations and labor unions, and the government is supportive of this right. Some workers exercise this right in practice.

- The government sets minimum wages in all modern sectors, according to the nature of the job. The GOR regulates hours of work and occupational health and safety standards in the modern wage sector.

- The GOR prohibits forced or bonded labor, and the Ministry of Labor has a plan to combat the worst forms of child labor. There is a National Advisory Committee on child labor, the GOR employs labor inspectors in each of its thirty districts, and some districts established by-laws preventing child labor. Child labor reduction benchmarks were integrated into

district performance contracts and local government child development committees were trained on child labor monitoring.

- Except for subsistence agriculture, the GOR prohibits children under the age of 16 from working without their parents' or guardians' permission.
- The GOR also prohibits children under 16 from participating in night work or any work deemed hazardous or difficult, as determined by the Minister of Labor. Since the majority of Rwandans engage in subsistence agriculture, many children worked as laborers on family holdings.
- There is no specific anti-trafficking law, but laws against slavery, prostitution by coercion, kidnapping, rape, and defilement are available to prosecute traffickers. The GOR has labor inspectors in each district and police receive training on identification of potential trafficking victims.
- The government makes efforts to address continuing problems of societal violence and discrimination against women.

#### 1B. Major Issues/Problems Identified:

- While Rwanda has a strong labor code it does not have the capacity to effectively enforce the law and government inspectors do not consistently enforce occupational health and safety standards.
- The law specifically excludes civil servants from organizing, and although the law provides workers the right to negotiate collective bargaining agreements, this right was severely limited in practice.
- The law prohibits unions from having political affiliations and from publicly expressing their political opinions.
- Child labor remains prevalent, but statistics are difficult to verify. According to a 2006 UN report, 36 percent of children aged 5 to 14 are engaged in child labor.
- In addition to poverty, there is a common belief that children must work to help ensure family survival and Rwandan law does not specifically prohibit forced and compulsory labor by children.
- Although the law provides for the right to strike, public service workers and workers in the broadly defined "essential services" were not allowed to strike. In addition, the process required for workers to conduct a legal strike essentially prohibits strikes (there was one strike during the year). A union's executive committee must approve any strike, and the union must first try to resolve its differences with management according to steps prescribed by the Ministry of Public Service and Labor.
- Anti-union discrimination is prohibited by law, but there are neither functioning labor courts nor other formal mechanisms to resolve complaints involving anti-union discrimination. There has been an improvement in the government's attitude toward the rights of unions and in respect for workers' rights and safety, but many employers were still opposed to the idea of trade unions operating freely. Government-associated entities own shares in some of these companies.
- Child prostitution, trafficking in persons (including in children), and child abuse were problems, according to the 2007 Human Rights Report.
- Prisoners volunteer for work details. While national

prison policy prohibits work at private residences and businesses, informal arrangements are sometimes made to do so. Prisoners may receive some pay in return for their work.

- The 2007 human rights report cited reports of unlawful killings by police and local defense forces; these diminished in 2008 particularly by the police. Reports of the use of torture and excessive force by security forces have diminished considerably in recent years.

- The 2007 human rights report cited restrictions on freedoms of speech, press, assembly and association as problems. Restrictions on civil society were also cited.

## ¶7. (U) International Terrorism/U.S. National Security

-----

### ¶A. Major Strengths Identified

- The government has been responsive on efforts to combat terrorism financing and has increased its border control measures to identify potential terrorists.

- Rwanda established an intergovernmental counterterrorism committee and has an antiterrorism section in its police intelligence unit.

- Laws exist for commercial banks to report large deposits from abroad.

### ¶B. Major Issues/Problems Identified:

- None currently identified.

SIM